

The Autry National Center
Report on Federal Awards
For the Year Ended December 31, 2008
(With Independent Auditors' Reports Thereon)

DATE RECEIVED:



AUDIT REVIEW #(s) ~~05118~~ 05139

Assigned To: Mount

Date Reviewed: 8/20/09

Reviewer's Initials: DM

Date Review(s) Completed: 8/20/09

Report of Independent Auditors

To the Board of Trustees
The Autry National Center

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the Autry National Center (the "Center") as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2009 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

July 15, 2009

The Autry National Center
Statements of Financial Position
December 31, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 922,185	\$ 1,697,141
Accounts receivable	1,161,449	421,700
Inventory	711,335	762,947
Prepaid expenses	166,579	278,825
Pledges and grants receivable, net (Note 4)	118,380,838	119,208,222
Investments (Note 3)	4,390,014	6,958,658
Cash restricted for capital acquisition and construction	10,027,957	11,047,005
Fixed assets at cost (Note 6)		
Buildings and improvements	43,252,136	37,905,528
Furniture, equipment and other	3,702,944	3,664,321
	<u>46,955,080</u>	<u>41,569,849</u>
Less accumulated depreciation and amortization	<u>(22,698,438)</u>	<u>(21,646,492)</u>
Fixed assets, net	<u>24,256,642</u>	<u>19,923,357</u>
Other assets	951,980	625,001
Land lease contribution receivable (Note 9)	9,531,906	9,872,334
Other investments	<u>9,256</u>	<u>-</u>
Total assets	<u>\$ 170,510,141</u>	<u>\$ 170,795,190</u>
Liabilities and Net Assets		
Current liabilities		
Accounts and note payable	\$ 621,514	\$ 1,237,079
Accrued liabilities	<u>1,993,114</u>	<u>767,395</u>
Total liabilities	<u>2,614,628</u>	<u>2,004,474</u>
Net assets (Note 10)		
Available for operations (deficit)	(1,749,162)	515,402
Net investment in fixed assets	24,256,642	19,923,357
Board designated	<u>-</u>	<u>610,000</u>
Total unrestricted	<u>22,507,480</u>	<u>21,048,759</u>
Temporarily restricted	94,867,093	99,856,503
Permanently restricted	<u>50,520,940</u>	<u>47,885,454</u>
Total net assets	<u>167,895,513</u>	<u>168,790,716</u>
Total liabilities and net assets	<u>\$ 170,510,141</u>	<u>\$ 170,795,190</u>

See accompanying notes to financial statements.

The Autry National Center

Statements of Activities

For the Years Ended December 31, 2008 and 2007

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Special events revenue	\$ 6,707,072	\$ -	\$ -	\$ 6,707,072	\$ 7,113,530	\$ -	\$ -	\$ 7,113,530
Less costs of direct benefit to donors	(4,775,361)	-	-	(4,775,361)	(4,849,330)	-	-	(4,849,330)
Net special events revenue	1,931,711	-	-	1,931,711	2,264,200	-	-	2,264,200
Contributions and grants	2,699,637	8,320,162	3,135,486	14,145,285	2,705,751	21,325,828	14,329,055	38,360,634
Endowment support	341,910	-	-	341,910	316,000	-	-	316,000
Admissions	451,424	-	-	451,424	561,252	-	-	561,252
Memberships	555,766	(144,271)	-	411,495	636,948	50,270	-	687,218
Program income	469,818	-	-	469,818	373,183	-	-	373,183
Museum stores, net of cost of goods sold	345,196	-	-	345,196	418,840	-	-	418,840
Other	184,276	-	-	184,276	234,574	-	-	234,574
Net assets released from restrictions	6,969,738	8,175,891	3,135,486	18,281,115	7,510,748	21,376,098	14,329,055	43,215,901
	13,999,596	(13,499,596)	(500,000)	-	11,438,670	(11,438,670)	-	-
Total revenue and support net of releases	20,969,334	(5,323,705)	2,635,486	18,281,115	18,949,418	9,937,428	14,329,055	43,215,901
Expenses								
Program Services								
Exhibits	9,070,384	-	-	9,070,384	12,604,463	-	-	12,604,463
Education	1,377,658	-	-	1,377,658	1,434,206	-	-	1,434,206
Research	790,055	-	-	790,055	780,905	-	-	780,905
Total program services	11,238,097	-	-	11,238,097	14,819,574	-	-	14,819,574
Supporting Services								
General & administration	3,364,999	-	-	3,364,999	3,252,149	-	-	3,252,149
Fund raising	1,911,148	-	-	1,911,148	2,238,991	-	-	2,238,991
Total supporting services	5,276,147	-	-	5,276,147	5,491,140	-	-	5,491,140
Ancillary Services								
Museum stores	459,118	-	-	459,118	510,475	-	-	510,475
Museum café	72,054	-	-	72,054	61,328	-	-	61,328
Total ancillary services	531,172	-	-	531,172	571,803	-	-	571,803
Total expenses	17,045,416	-	-	17,045,416	20,882,517	-	-	20,882,517
Change in net assets from operations	3,923,918	(5,323,705)	2,635,486	1,235,699	(1,933,099)	9,937,428	14,329,055	22,333,394
Other non-operating revenues, gains and losses								
Investment income	275,062	334,295	-	609,357	245,917	194,635	-	440,552
Realized and unrealized losses and gains on investments	(2,363,599)	-	-	(2,363,599)	411,621	-	-	411,621
Endowment distribution	(441,910)	-	-	(441,910)	-	-	-	-
Total non-operating revenues, gains and losses	(2,530,447)	334,295	-	(2,196,152)	657,538	194,635	-	852,173
Change in net assets before changes related to collection items not capitalized	1,393,471	(4,989,410)	2,635,486	(960,453)	(1,275,561)	10,132,063	14,329,055	23,185,557
Change in net assets related to collection items not capitalized								
Proceeds from sale of collection items	65,250	-	-	65,250	85,235	-	-	85,235
Proceeds from Proposition 40	-	-	-	-	630,000	-	-	630,000
Collection items purchased but not capitalized	-	-	-	-	(165,062)	-	-	(165,062)
Change in net assets	1,458,721	(4,989,410)	2,635,486	(895,203)	(725,398)	10,132,063	14,329,055	23,735,730
Net assets, beginning of year	21,048,759	99,856,503	47,865,454	168,790,716	21,774,147	89,724,440	33,556,399	145,054,986
Net assets, end of year	\$ 22,507,480	\$ 94,867,093	\$ 50,500,940	\$ 167,895,513	\$ 21,048,759	\$ 99,856,503	\$ 47,885,454	\$ 168,790,716

See accompanying notes to financial statements.

The Autry National Center
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (895,203)	\$ 23,735,730
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,051,946	1,002,394
Amortization of land lease receivable	340,428	340,428
Amortization of discount on long-term pledges receivable	-	9,113,141
Realized and unrealized losses on investments, net	2,363,599	(411,621)
Contributions restricted for long-term purposes	-	(25,500,000)
Contributions restricted for capital acquisition and construction less releases from restriction for capital project	(2,907,330)	(15,464,558)
Contributed securities & other non cash contributions	(148,720)	(219,820)
Changes in operating assets and liabilities		
Pledge and grant receivables	427,384	365,848
Accounts receivable	(739,749)	(332,726)
Inventory, net	51,612	184,374
Prepaid expenses	112,246	(112,420)
Other assets	(326,979)	(316,667)
Accounts payable	(821,009)	297,780
Accrued liabilities	(74,281)	(54,842)
Net cash used in operating activities	(1,566,056)	(7,372,959)
Cash flows from investing activities		
Purchases of fixed assets	(5,171,449)	(1,212,626)
Purchases of investments	2,882,914	(4,621,734)
Other Assets	(9,256)	-
Proceeds from sales of investments and other assets	(2,677,869)	5,254,682
Net cash (used in) provided by investing activities	(4,975,660)	(579,678)
Cash flows from financing activities		
Contributions restricted for long-term purposes	548,720	125,000
Note payable	(8,338)	21,146
Line of credit	1,300,000	-
Contributions restricted for capital acquisition and construction	3,926,378	9,313,450
Net cash provided by financing activities	5,766,760	9,459,596
Net increase (decrease) in cash and cash equivalents	(774,956)	1,506,959
Cash and cash equivalents, beginning of year	1,697,141	190,182
Cash and cash equivalents, end of year	\$ 922,185	\$ 1,697,141
Supplemental disclosures		
Contributed securities	\$ 209,533	\$ 219,820
Accrued - construction in process	\$ 213,782	-

See accompanying notes to financial statements.

The Autry National Center

Notes to Financial Statements

December 31, 2008 and 2007

1. Organization

In May 2003, the Autry National Center of the American West (the Center – A California Nonprofit, public benefit corporation) was created through the merger of the Autry Museum of Western Heritage, founded in 1984, and the Southwest Museum, founded in 1914. The Center now operates the Southwest Museum of the American Indian, the Museum of the American West (formerly known as the Autry Museum of Western Heritage), and the Institute for the Study of the American West. The Center explores the experiences and perceptions of the diverse peoples of the American West, connecting the past and present to inform our shared future, promoting education through programming, exhibitions, and preservation of the collections.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

The Center recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Center.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity, the earnings from which are available for the Center's use unless otherwise stipulated by the donor.

Classification of Revenues and Expenses

The Center's admission revenues are recognized upon the sale of admission tickets.

Revenues from the Museum stores reflect sales from the stores, mail order, and wholesale distribution activities, net of costs of goods sold. Museum stores costs and expenses include related salaries, wages and fringe benefits, and general and administrative expenses incurred in the operations of the Museum stores.

Special events revenues reflect event fees and contributions received for special events and fundraising activities.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds with an original maturity of less than 90 days.

Investments

Investments are stated at fair value. Short-term investments include cash equivalents in the form of money market funds with maturities of less than one year. The Center invests all donor contributions in conservative diversified stock and bond funds to generate operating income and to preserve capital. Interest and dividend income and realized and unrealized gains and losses on investments are reported in the statement of activities as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or law.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), which is effective for the Center's fiscal year beginning January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by SFAS 157. The standard also prioritizes, within the measurement of fair value, the use of market based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The Center adopted the provisions of Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*, ("SFAS 157"), effective January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by SFAS 157. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy under SFAS 157 are described below:

- | | |
|----------|---|
| Level I | Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. These investments include cash and cash equivalents and short term investments. |
| Level II | Valuations based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. |

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Level III	Valuations based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. The inputs into the determination of fair value require significant management judgment or estimation, and typical investments for this category are privately held investments and partnership interests.
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Endowments

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This Staff Position (FSP) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and is expected to improve the disclosures on an organization's endowment funds (both donor-restricted and other funds functioning as endowment).

Inventories

Inventories are stated at the lower of cost or fair value using the average-cost method, which approximates the first-in, first-out method. Inventories are held for resale, mail order, and wholesale distribution.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 40 years for building and improvements, 5 years for furniture and equipment, and 3 years for computer equipment. Gifts of long-lived assets such as property and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Collection of Museum Objects

The Center's collections are comprised of works of art (paintings, sculptures, works on paper, and photographs), historic artifacts, archaeological and ethnographic materials, sound recordings, films, and library and research material related to the history of the West and indigenous cultures of the United States. The collections, which were acquired through purchases and contributions since the Center's inception, are not recognized as assets on the statement of financial position. All are held for educational, research, and display purposes. The Center's policy is that all items are cataloged, preserved, and cared for according to the American Association of Museums' standards. Activities verifying their existence and assessing their condition are performed continuously.

Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The collections are subject to a policy that requires proceeds from their sales to be used to acquire or conserve other items for collections, not for operations.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Contributions Received

Contributions, including unconditional promises to give, are recognized as support in the year received at net present value.

Unconditional promises to give that are expected to be collected or paid in future years are discounted at the appropriate rate commensurate with the risk involved. Contributions received and made are recorded at present value using discount rates ranging from 3.25% to 5% for the years ended December 31, 2008 and 2007. Amortization of the discount on contributions received is recorded as additional contribution revenue in the unrestricted net assets.

Conditional promises to give that are contingent upon future events or future matching are not recorded until the contingency has been satisfied. If funds are received from such gifts, they are recorded as refundable advances until the contingency is satisfied. When the contingency has been satisfied, the gift is recognized as either unrestricted or temporarily restricted revenue depending on the intent of the donor.

Special event contributions are generally reported as increases in unrestricted net assets. However, if the circumstances surrounding the receipt of such contributions make clear the respective donor's implicit restrictions on use, such amounts are classified as increases in temporarily restricted net assets. Special event contributions for an event in a future year are reported as increases in temporarily restricted net assets, and released in the future year, attributable to that event.

Spending Policy

The Center has an investment and spending policy for its board designated and donor designated endowment funds. The purpose of the policy is to preserve principal, maintain purchasing power and provide a reliable stream of income for operations. The amount distributed to operations annually ranges from 4.5% to 5.5% of the average market value of the endowment fund assets over the trailing eight quarters ended June 30 for the following fiscal year. The 2008 distribution approximates 5% based on this formula, and is the fourth time funds have been distributed from the endowments. In January 2009, the Board of Trustees temporarily suspended the annual distribution in an effort to preserve endowment.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and exempt from California state franchise/income tax under Section 23701d of the California Revenue and Taxation Code.

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation from management.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Concentration of Risks

The Center holds a majority of its cash and cash equivalents at a few financial institutions. Cash and cash equivalents consist of cash on deposit and money market accounts. At December 31, 2008 and 2007, the Center was exposed to credit loss for the amount of cash in excess of the federally insured limit of \$250,000 and \$100,000, respectively, in the event of nonperformance by the counterparties. At December 31, 2008 and 2007, the Center had cash in banks in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits of \$10,700,142 and \$12,644,146, respectively.

Pledges receivable and accounts receivable are uncollateralized and the Center is at risk to the extent such amounts become uncollectible. Additionally, approximately 95.5% of net pledges receivable are due from one individual and a related Foundation and the Center is subject to credit risk in the event of nonperformance by such parties.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

3. Investments

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair value based on quoted market prices. The following table summarizes the valuation of the Center's investments by the SFAS 157 fair value hierarchy levels at December 31, 2008.

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Money market fund	\$ 143,078	\$ -	\$ -	\$ 143,078
Fixed income mutual funds	748,497	-	-	748,497
Equity mutual funds	3,498,439	-	-	3,498,439
Total	<u>\$ 4,390,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,390,014</u>

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

3. Investments (Continued)

	2008		2007	
	Historical Value	Market Value	Historical Value	Market Value
Readily marketable:				
Money market fund	\$ 143,078	\$ 143,078	\$ 274,716	\$ 274,716
Fixed income mutual funds	742,493	748,497	1,129,230	1,163,641
Equity mutual funds	5,436,054	3,498,439	5,424,334	5,520,301
Total	<u>\$ 6,321,625</u>	<u>\$ 4,390,014</u>	<u>\$ 6,828,281</u>	<u>\$ 6,958,658</u>

The Center's investments that are recorded at fair market value are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

4. Pledges and Grants Receivables

Pledges and grants receivables at December 31 are expected to be collected as follows (see also Note 7 for pledges made by a related party):

	2008	2007
Amounts due in		
Less than one year	\$ 10,379,639	\$ 8,337,787
One to five years	30,218,903	35,599,000
More than five years	<u>198,953,499</u>	<u>203,556,000</u>
	239,552,041	247,492,787
Less discount to reflect contributions receivable at present value	<u>(121,171,203)</u>	<u>(128,284,565)</u>
	<u>\$ 118,380,838</u>	<u>\$ 119,208,222</u>

5. Endowments

The Center's endowment consists of approximately 11 individual funds established for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

5. Endowments (Continued)

The Center has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

The Center utilizes a spending rule for its endowment in order to maximize the current long-term investments of the fund. The spending rule sets forth the endowment income to be distributed currently for spending. The finance committee has authorized a policy permitting a 5% annual spending rate based on a three-year weighted average of the invested asset balances. The Center received a distribution in the amount of \$341,910 for the year ended December 31, 2008, based on the three-year average at September 30, 2008. The investment policy for investments is designed to preserve, enhance the real purchasing power and long-term appreciation of these funds and to provide a return to meet or exceed a 5% annual distribution. Total return of the Fund is targeted to meet or exceed the expected long-term needs of the Center in order to provide a reliable stream of income for operations and avoid adverse economic impact to the organization. Wells Fargo has been selected as investment manager for substantially all the invested portfolio. The finance committee has adopted the Center's target investment strategy by asset class as follows:

Equities	50% – 80%
Fixed Income	20% – 50%
Cash Equivalents	0% – 10%

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

5. Endowments (Continued)

Changes in Endowment Net Assets for the year ended December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 1,925,677	\$ -	\$ 5,032,981	\$ 6,958,658
Investment return				
Interest and dividends	30,571	-	80,231	110,802
Net realized and unrealized loss	(643,650)	-	(1,718,886)	(2,362,536)
Contributions	-	-	125,000	125,000
Distribution to operations	(94,352)	-	(347,558)	(441,910)
Bond transactions, net	-	-	-	-
Management fees	-	-	-	-
End of the year	<u>\$ 1,218,246</u>	<u>\$ -</u>	<u>\$ 3,171,768</u>	<u>\$ 4,390,014</u>

The Board of trustees has charged the Finance Committee the responsibility for the oversight and the investment of the Center's pooled of funds.

6. Fixed Assets

The following is a summary of property and equipment, at cost, less accumulated depreciation.

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 43,252,136	\$ 37,905,528
Furniture, equipment and other	<u>3,702,944</u>	<u>3,664,321</u>
Sub-Total	46,955,080	41,569,849
Less accumulated depreciation	<u>(22,698,438)</u>	<u>(21,646,492)</u>
Total	<u>\$ 24,256,642</u>	<u>\$ 19,923,357</u>

Depreciation expense charged to operations was \$1,051,946 and \$1,002,394 in 2008 and 2007, respectively.

7. Related Party Transactions

On March 24, 2000, the Center received pledges of an annual contribution totaling \$6,000,000 per year, and a long-term capital contribution totaling \$100,000,000 for its endowment from a related party. On May 16, 2002, the Center received another pledge from the related party of an annual contribution of \$50,000 for a curatorial position. The annual contributions will continue until the donor's passing at which time the long-term capital contribution will be received.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

7. Related Party Transactions (Continued)

The present value of the annual income and long-term capital contribution was approximately \$102,124,249 and \$96,206,000 as of December 31, 2008 and 2007, respectively. The present value was determined using discount rates between 5.00% and 6.40%, based upon the original date and duration of the pledges. The percentages and life expectancy estimates were derived by tables provided by the Internal Revenue Service. The Center received \$6,426,500 and \$6,512,500 from the related party during the year ended December 31, 2008 and 2007, respectively.

In January 2007, the Center received an additional pledge of \$25,000,000 for its endowment from a related party. The present value of this long-term capital contribution at December 31, 2008 was approximately \$ 10,907,417. The present value was determined using a discount rate of 5% and life expectancy tables provided by the Internal Revenue Service.

8. Retirement Plan

The Center has a tax-sheltered annuity retirement plan (the Plan) for eligible employees of the Center. Under the Plan, each eligible employee can make voluntary tax-deductible contributions that the Center can match, at the discretion of the board of trustees, up to a maximum of 2% of the employee's eligible compensation. The Center contributed \$87,188 and \$237,239 to the Plan in 2008 and 2007, respectively.

9. Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Center is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Center.

Line of Credit

On December 17, 2008, the Center established a \$2 million revolving partially uncollateralized line of credit with a bank. The line of credit bears interest at the prime rate or LIBOR (1, 3, or 6 months) plus 2.75%. This line of credit will expire on January 1, 2010, at which time any advances outstanding will be due and payable. At December 31, 2008 and 2007, the Center had an outstanding balance on its \$2 million revolving line of credit of \$1,300,000 and \$0, respectively.

Other Assets

In December 2005, the Center entered into a collection sharing agreement with another non-profit entity. Under the terms of the agreement, the Center collaborates to provide a long-term presence of a historically significant collection of paintings and costumes at the Autry National Center's facilities. The term of the agreement is 60 years with provisions for extension. Payments will be made every year for a 15-year period. The first payment was made in 2006. The payments are amortized over the term of the agreement.

The Autry National Center
Notes to Financial Statements
December 31, 2008 and 2007

9. Commitments and Contingencies (Continued)

Land Lease

In 1987, the Autry National Center entered into a land lease with the City of Los Angeles for its Griffith Park premises, including open space known as the "South Lawn." In exchange for offering public programming in the museum's facilities, the Autry National Center pays the City \$1 per year. The value of the land lease is capitalized at its estimated fair value. The value of the lease as of December 31, 2008 and 2007 was \$9,531,906 and \$9,872,334, respectively. The Center incurs in-kind lease expense of \$340,428 annually, and recognizes an offsetting in-kind donation released from restriction of the same amount.

10. Net Assets

Unrestricted – Board Designated

The Board of Trustees has established a reserve totaling \$0 in 2008 and \$610,000 in 2007 consisting of unrestricted cash for the Library Research Center.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Comprehensive Campaign – Autry National Center	\$ 18,919,435	\$ 21,973,992
Conservation, Collections, Public Access, Library, Publications, etc.	616,602	1,236,470
Women of the West, Curatorial Position	858,000	858,000
Exhibitions, Programs & Education	122,598	196,495
Masters Art Exhibition & Sales	544,410	534,020
Women of the West, Butcher Scholarship Program	100,127	100,127
Artifacts/Acquisitions	39,022	39,022
Women of the West, Capital Campaign	—	973
Time Restrictions	<u>73,766,899</u>	<u>74,917,404</u>
	<u>\$ 94,867,093</u>	<u>\$ 99,856,503</u>

Permanently Restricted

Permanently restricted net assets totaling \$50,520,940 in 2008 and \$47,885,454 in 2007 (of which \$47,081,872 and \$43,464,471 are pledges outstanding as of December 31, 2008 and 2007, respectively) are restricted by donors for investment in perpetuity, the earnings from which are either available for general operating purposes or temporarily restricted for exhibits and programs.

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
The Autry National Center

We have audited the financial statements of the Autry National Center (the "Center") as of and for the year ended December 31, 2008, and have issued our report thereon dated July 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Center in a separate letter dated July 15, 2009. pg 1

This report is intended solely for the information and use of the Center's audit committee, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

July 15, 2009

**Report of Independent Auditors on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Trustees
The Autry National Center

Compliance

We have audited the compliance of the Autry National Center (the "Center") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008, except as described in the second paragraph of this report. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Center's audit committee, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

July 15, 2009

The Autry National Center
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA #</u>	<u>Grant Number</u>	<u>2008 Expenditures</u>
<u>Pass-Through Awards</u>			
National Endowment for the Arts (NEA) Native Voices	45.024	07-3200-7188	\$ 30,000
National Endowment for the Humanities Southwest Electronic Catalogue Project	45.149	PC-50070-07	162,829
Institute of Museum and Library Services Congressional Museum Native American Learning Lab	45.312	CM-00-08-0033-08	200,000
Federal Emergency Management Agency Governor's Office of Emergency Services (California) Public Assistance Grants	97.036	1008-DR	<u>199,069</u>
Total Federal Awards			<u>\$ 591,898</u>

The Autry National Center
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Autry National Center (the "Center").

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to the financial statements of the Center as of and for the year ended December 31, 2008.

The Autry National Center
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major programs: CFDA Number(s) 97.036 _____ _____ _____	Name of Federal Program or Cluster Federal Emergency Management Agency (FEMA) – Public Assistance Grants _____ _____ _____
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000 (no type A programs).
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

The Autry National Center
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2008

Section II – Financial Statement Findings

- None

Section III – Federal Award Findings and Questioned Costs

- None

Section IV – Disposition of Prior Year Findings

- None